

**OKLAHOMA CITY -
COUNTY HEALTH
DEPARTMENT**

**FOR THE YEAR ENDED
JUNE 30, 2009**



COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FINANCIAL STATEMENTS—CASH BASIS
AND INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED JUNE 30, 2009**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

April 26, 2010

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Transmitted herewith is the audit of the Oklahoma City-County Health Department for the fiscal year ended June 30, 2009. The audit was conducted in accordance with *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Oklahoma City-County Health Department.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

BOARD MEMBERS

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William Mills, M.D.

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Gary Cox, Interim Director

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

INTRODUCTION

Article X, § 9A of the Oklahoma Constitution authorized the formation of county health departments and authorized a tax levy not to exceed two and one-half mills for the purpose of providing public health services. County voters approved a two and one-half mills levy to support the operations of the Oklahoma City-County Health Department. County voters subsequently voted to repeal the personal property tax. The initiative provided that the real property tax levy was increased to make up for the loss of taxable personal property and is now 2.59 mills. Besides the ad valorem tax levy, other significant sources of funding include federal and state grants and contracts.

See independent auditor's report as it relates to supplementary information.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Independent Auditor's Report

TO THE BOARD OF THE OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the accompanying financial statements of the general fund of the Oklahoma City-County Health Department, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Oklahoma City-County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the general fund and do not purport to, and do not, present fairly the financial position of the Oklahoma City-County Health Department, as of June 30, 2009, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Oklahoma City-County Health Department prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—cash basis of the general fund of the Oklahoma City-County Health Department, as of June 30, 2009, and the changes in financial position thereof for the year ended June 30, 2009, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2010, on our consideration of Oklahoma City-County Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedule for the General Fund, on page 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the Budgetary Comparison Schedule, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

The Oklahoma City-County Health Department has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the financial statements of the Oklahoma City-County Health Department. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements of the Oklahoma City-County Health Department. The accompanying schedule of expenditures of state awards is presented as required by Oklahoma City-County Health Department's contracts with the Oklahoma State Department of Health. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The Introductory Section is presented for purposes of additional analysis and is not a required part of the financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on such information.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 22, 2010

Financial Statements

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND TYPE—GENERAL FUND
BALANCE SHEET—CASH BASIS
JUNE 30, 2009**

	<u>General Fund</u>
Assets:	
Cash	\$ 10,770,673
Total Assets	<u>\$ 10,770,673</u>
Fund Balance:	
Fund Balance Arising From Cash Transactions	\$ 10,770,673
Total Fund Balance	<u>\$ 10,770,673</u>

The notes to the financial statements are an integral part of this statement.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
GOVERNMENTAL FUND TYPE—GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>
Cash Receipts:	
Property Taxes	\$ 13,510,167
Intergovernmental Revenues	5,551,117
Charges for Services	614,439
Miscellaneous Revenues	101,086
Interest Income	<u>101,944</u>
Total Cash Receipts	<u>19,878,753</u>
Cash Disbursements:	
Personal Services	15,530,153
Maintenance and Operations	3,383,409
Capital Outlay	<u>1,072,301</u>
Total Cash Disbursements	<u>19,985,863</u>
Excess of Cash Receipts Over Cash Disbursements	(107,110)
Fund Balance Arising From Cash Transactions July 1, 2008	<u>10,877,783</u>
Fund Balance Arising From Cash Transactions June 30, 2009	<u><u>\$ 10,770,673</u></u>

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. Summary of Significant Accounting Policies

The accompanying financial statements present the receipts, disbursements, and changes in cash balances of the general fund of the Oklahoma City-County Health Department (the OCCHD or the Department). The fund presented is established under statutory authority, and its operation is under the control of the Oklahoma City-County Board of Health (Board). The more significant accounting policies and practices are described below.

A. Reporting Entity

The OCCHD is a special unit of government, which does not possess political or governmental powers other than those necessary to carry out the specific purpose for which it was created. The Department was created pursuant to 63 O.S. § 1-214 and a 1956 operating agreement (revised in 1996) between Oklahoma County and Oklahoma City. The Department provides public health services to all citizens of Oklahoma County. The Department is not subject to federal or state income taxes.

The governing board of the Department is the City-County Board of Health (Board), created in accordance with 63 O.S. § 1-210. The purpose of the Board is to preserve and promote public health and to assist in the formulation and adoption of uniform health ordinances, rules, and regulations within the jurisdiction of the Board. The Board consists of nine members. Five members are appointed by the City Council of Oklahoma City, and four members are appointed by the Board of County Commissioners of Oklahoma County. The Board of Health business meetings are open to the public.

The accompanying financial statements include all OCCHD receipts and disbursements relating to funds, functions, and activities over which the Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the Board. The Department is not a component unit of another government and does not have any component units. The primary sources of funding for the Department are a countywide ad valorem tax levy, charges for services, and intergovernmental grants and contracts.

Related Organization Excluded from the Reporting Entity

The Board of Health was responsible for the initial appointment of members of the board of a non-profit corporation, but the Department's accountability for this organization does not extend beyond making the appointments. The following organization is not included in the financial statements:

Partners in Public Health, Inc. is a not-for-profit corporation organized for "charitable and educational" purposes.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

B. Fund Accounting

A government uses funds to report its fiscal activities relating to receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

General Fund - The general fund is the Department's general operating fund, accounting for the receipts and disbursements for all financial resources. The cash resources reported in the general fund are unrestricted.

C. Basis of Accounting

The financial statements are prepared on a cash basis of accounting, wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. Cash basis presentations that only report receipts and disbursements of cash do not satisfy reporting requirements of operational accountability and do not provide a comprehensive measure of the government's true economic-based financial condition and changes therein.

D. Cash and Equivalents

The OCCHD adopted a formal investment policy August 2004. State statutes authorize the OCCHD to adopt a written investment policy directing the investment of the funds of OCCHD. The Finance Manager is allowed by the investment policy to invest in obligations of the U.S. Treasury, certificates of deposit, or savings accounts of banks, savings and loans, and trust companies, if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

All funds were fully invested or deposited in interest-bearing demand accounts and Government Obligations Money Market Funds at June 30, 2009.

E. Risk Management

The OCCHD is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The OCCHD carries commercial insurance for its physical plant, with a \$50,000 deductible; participates in the Oklahoma State health and dental plans for its health benefits coverage for employees; is self-insured for errors and omissions and for other general liability and workers' compensation for claims under \$100,000. Management believes such coverage is sufficient to preclude any significant uninsured losses to the OCCHD. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the Governmental Tort Claims Act in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2009 fiscal year.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

F. Compensated Absences

Annual Leave - Accrual rates vary in four stages from 15 days (10 hours/month) per year for less than 5 years to 25 days (16 2/3 hours/month) per year for 15 or more years. Maximum accumulation of accrued annual leave is limited to 60 days or 480 hours per year. Any employee terminating from employment shall be paid for any unused, accrued annual leave.

Sick Leave - The accrual rate for sick leave is 15 days (10 hours/month) with no accumulation limit. The amount of sick leave that can be credited towards retirement will not exceed the amount in the most current retirement plan. Employees may convert up to 40 hours of sick leave to annual leave or pay each fiscal year, provided a minimum of 180 hours of sick leave is maintained. No accrued, unused sick leave will be paid upon termination from employment.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

Pursuant to 68 O.S. § 3002, on or before August 17 of each year, a budget for each fund, as required by the Board, shall be completed. The budget is adopted for the general fund by object and submitted to the Oklahoma County Excise Board for approval. The Board may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Oklahoma County Excise Board.

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the cash balance consisted of amounts in Government Obligations Money Market Account and demand deposits. The reported amount of the OCCHD's deposits was \$10,770,673 and the bank balance was \$11,047,030. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the Department's agent in the Department's name.

Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure the OCCHD may not be able to recover its deposits. The OCCHD policy requires banks to be 110 percent secured by collateral valued at market value less FDIC insurance. As of June 30, 2009, OCCHD's bank balance of \$1,202,159 was FDIC insured for \$250,000 and the bank had pledged securities of \$4,167,872.

Investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The OCCHD limited activity to interest bearing Government Obligations Money Market Funds and demand deposits only for FY 2009. This limited the possibility of interest rate risk affecting deposits of OCCHD.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

B. Description of Funds

During the year ended June 30, 2009, the OCCHD used only a general fund.

C. Ad Valorem Tax

The property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. The tax is collected by the County Treasurer and remitted to the OCCHD.

The assessed property value as of January 1, 2009, was \$5,284,374,851 after deducting homestead exemptions of \$152,193,840.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2009, were approximately 95.0 percent of the tax levy.

D. Pension Plan

Plan Description. In 1991, the Department converted to a defined contribution plan. The defined contribution plan is administered by Massachusetts Mutual Life Insurance Company. Employees working 1,000 or more hours annually are eligible to participate in the plan. The plan may be amended from time to time by action of the Department's Board of Health.

Eligible participants may choose to invest their individual retirement funds in a variety of mutual fund and other investment options available through the plan administrator.

Benefits under the defined contribution plan include entitlement to the amount in the individual employee's account upon retirement, or upon termination of employment due to total and permanent disability. Partial vesting accrues after the second year at the rate of twenty percent (20%) per year, until 100% vesting is completed at the end of six years of service. Upon the death of a vested participant, his or her beneficiary (ies) is eligible to receive the participant's retirement benefits.

Retiring participants may choose from a variety of options from the distribution of benefits under the defined contribution plan. These options include immediate lump sum distribution of the entire account balance, various installment style distributions, and/or various annuity options.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The Department contributes 12% of each employee's salary. Employees make no contributions. The Department's cash contributions to the defined contribution plan for the year ending June 30, 2009, were \$1,399,867. A copy of the plan may be obtained from the Oklahoma County Clerk's Office at 320 Robert S. Kerr, Room 105, Oklahoma City, Oklahoma or you may call 405-713-1400.

E. Lease Obligations

The Department is paying on a fifteen (15) year lease renewable annually for the new Health Center West Clinic Building. The lease agreement is with the Oklahoma City Industrial and Cultural Facilities Trust. Payments made by the Department will be used to pay the principal and interest on the Trust's revenue bonds related to the building project.

During the year ending June 30, 2009, the Department paid \$83,575.06 in principal and interest on the clinic building. No additional lease obligations were incurred.

F. Construction and Other Significant Commitments

As of June 30, 2009, the OCCHD had performed sidewalk lighting and other improvements of the OCCHD main building for \$ 755,905. Capital assets are not presented in the general fund.

G. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of cash receipts which may be disallowed by the grantor cannot be determined at this time; although, the Department expects such amounts, if any, to be immaterial.

The OCCHD is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the OCCHD.

H. Federal Grants

In the fiscal year ended June 30, 2009, the Department received federal funds from the U.S. Department of Agriculture and U.S. Department of Health and Human Services. Most of the federal grants were passed through the Oklahoma State Department of Health.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The federal funds included two major programs titled Special Supplemental Nutrition Program for Women, Infants, and Children and Immunization Grants; eight non-major programs, including Project Grants & Cooperative Agreements for Tuberculosis Control Programs, Family Planning - Services, Community-Based Child Abuse Prevention, Public Health Emergency Preparedness, Preventive Health Services – STD Control, Maternal & Child Health Services Block Grant to the States, Medical Assistance Program, and Maternal and Child Health Federal Consolidated Programs.

I. State Grants

During fiscal year 2009, the Department received state assistance from the Oklahoma State Department of Health for the purpose of operating programs and providing services contracted by the state department. State funds were provided for Child Guidance Services, Family Planning, Children First Program, STD Program and State Omnibus. Further information on state assistance is included in the Schedule of Expenditures of State Awards, as required by contract.

Required Supplementary Information

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances, Budgetary Basis	\$ 10,877,783	\$ 10,877,783	\$ 10,877,783	\$ -
Less: Prior Year Encumbrances	1,544,225	1,544,225	1,307,017	237,208
Beginning Cash Balances, Budgetary Basis	<u>9,333,558</u>	<u>9,333,558</u>	<u>9,570,766</u>	<u>237,208</u>
Receipts:				
Property Taxes	12,222,521	12,222,521	13,510,167	1,287,646
Charges for Services	528,333	528,333	614,439	86,106
Intergovernmental Revenues	5,597,256	5,597,256	5,551,117	(46,139)
Miscellaneous Revenues	375,736	375,736	203,030	(172,706)
Total Receipts, Budgetary Basis	<u>18,723,846</u>	<u>18,723,846</u>	<u>19,878,753</u>	<u>1,154,907</u>
Disbursements:				
Personal Services	18,501,323	18,501,323	15,565,305	2,936,018
Maintenance and Operations	5,593,502	5,593,502	3,523,497	2,070,005
Capital Outlay	2,299,973	2,299,973	481,781	1,818,192
Future Capital Outlay (pursuant to 63 O.S. § 1-226)	1,662,606	1,662,606		1,662,606
Total Disbursements, Budgetary Basis	<u>28,057,404</u>	<u>28,057,404</u>	<u>19,570,583</u>	<u>8,486,821</u>
Excess of Receipts and Beginning Cash Balances Over Disbursements, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	9,878,936	<u>\$ 9,878,936</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Fund Balances				
Add: Current Year Encumbrances			891,737	
Ending Cash Balance			<u>\$ 10,770,673</u>	

The accompanying notes to the Budgetary Comparison Schedule are an integral part of this schedule. See independent auditor's report as it relates to the required supplementary information.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The Budgetary Comparison Schedule presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Cash Receipts, Disbursements, and Changes in Fund Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances to their related budget year.

Oklahoma Statutes require the Department to prepare a formal budget for the general fund and other funds as the Board of Health may require. The budget presented for the general fund includes the originally approved budgeted appropriations and final budgeted appropriations, as adjusted for supplemental appropriations and approved transfers between budget categories.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.

Any encumbrances outstanding at year-end are included as reservations of cash balances, budgetary basis, since they do not constitute paid or outstanding warrants. At the end of the fiscal year, unencumbered appropriations are lapsed.

See independent auditor's report as it relates to the required supplementary information.

Schedule of Expenditures of Federal and State Awards

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	400EA 35 VG	\$ 1,210,067
Total U.S. Department of Agriculture			<u>1,210,067</u>
 <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through State Department of Health:			
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	400BA 20PI	46,186
Family Planning - Services	93.217	400CM 35TS/TV	271,983
Immunization Grants	*93.268	400CD 20PG/P7	1,467,994
Community-Based Child Abuse Prevention Grants	93.590	400B8 35NE	55,971
Public Health Emergency Preparedness	93.069	400CK 20S/5Y	843,443
Preventive Health Services - STD Control Grants	93.977	400CG 20PC/PU	10,458
Maternal & Child Health Services Block Grant to the States	93.994	199AR 35NC/TQ	79,889
Medical Assistance Program	93.778	400GQ 35TQ/NL	196,976
Maternal & Child Health Federal Consolidated Programs	93.110	400BR 20RH	265
Total U.S. Department of Health and Human Services			<u>2,973,165</u>
 Total Expenditures of Federal Awards			 <u>\$ 4,183,232</u>

* Partially Noncash Assistance

The accompanying note is an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Oklahoma City-County Health Department and is presented on the *cash basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2009. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Department of Health and Human Services - Immunization Grants CFDA #93.268

Non-cash assistance in the form of vaccines was received from the Oklahoma State Department of Health. The federal value of \$1,076,173 is included in the Schedule of Expenditures of Federal Awards.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>State Grantor/Grant Program Title</u>	<u>State Contract Number</u>	<u>State Expenditures</u>
<u>OKLAHOMA STATE DEPARTMENT OF HEALTH</u>		
Child Guidance Service	3409008343	\$ 278,021
Family Planning Services	3409005724	273,310
Children First Program	3409007877	1,244,495
STD Program	3409009220	8,463
State Omnibus	3409010273	231,382
Total Oklahoma State Department of Health		<u>2,035,671</u>
Total Expenditures of State Awards		<u>\$ 2,035,671</u>

The accompanying note is an integral part of this schedule.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Basis of Presentation

The schedule of expenditures of state awards includes the state grant activity of the Oklahoma City-County Health Department and is presented on the *cash basis of accounting*. Grant expenditures reported were paid or incurred as of June 30, 2009. The information in this schedule is presented in accordance with the contractual requirements of the Oklahoma State Department of Health.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

We have audited the cash basis financial statements of the general fund of the Oklahoma City-County Health Department, as of and for the year ended June 30, 2009, and have issued our report thereon dated March 22, 2010. Our report states that the general fund presentation does not purport to present fairly the financial position of the Oklahoma City-County Health Department in accordance with accounting principles generally accepted in the United States of America. Our report also includes an explanatory paragraph that certain required supplementary information has been omitted. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oklahoma City-County Health Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Oklahoma City-County Health Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City-County Health Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2009-IT 002, 2009-IT 003, and 2009-IT 004 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma City-County Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Oklahoma City-County Health Department's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Oklahoma City-County Health Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Oklahoma City-County Health Department, Oklahoma County, City of Oklahoma City, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 22, 2010

**Report on Compliance With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance With
OMB Circular A-133**

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

TO THE BOARD OF THE
OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT

Compliance

We have audited the compliance of the Oklahoma City-County Health Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Oklahoma City-County Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oklahoma City-County Health Department's management. Our responsibility is to express an opinion on Oklahoma City-County Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oklahoma City-County Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Oklahoma City-County Health Department's compliance with those requirements.

In our opinion, the Oklahoma City-County Health Department complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Oklahoma City-County Health Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered

Oklahoma City-County Health Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City-County Health Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management of the Oklahoma City-County Health Department, Oklahoma County, City of Oklahoma City, federal awarding agencies, and pass-through entities and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 22, 2010

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:..... Unqualified—General Fund—Cash Basis

Internal control over financial reporting:

- Material weakness (es) identified?..... No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?..... Yes

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified?..... No
- Significant deficiency(ies) identified that are not considered to be material weakness (es)? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?..... No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.268	Immunization Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?..... No

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2009-IT 002—Information Systems—Updates, User/Password Combinations (Repeat Finding)

Criteria: According to the standards of the Information Systems Audit and Control Association, (CobiT, Delivery & Support Objective DS5.9), management should put preventive, detective and corrective measures in place (especially up-to-date security patches and virus control) across the Organization to protect information systems and technology from malware (e.g. viruses, worms, spyware, spam).

Condition: We performed a Nessus internal vulnerability scan as performed in 2007. The scan found some of the exact same vulnerabilities as were found last time. This means that at the time of our most recent scan, the updates recommended during our last audit were not installed.

Effect: With these vulnerabilities still open, a potential security incident could easily occur.

Recommendation: OSAI highly recommends that OCCHD immediately test and install the patches recommended in the documentation that we have provided separate from this report. This information will be maintained confidentially within our permanent file for future review, and will not be released to the general public.

Views of responsible officials and planned corrective actions: Since 2008, the agency has used Windows Software Update Services (WSUS) to ensure software is up-to-date. All desktops are using WSUS. Windows servers are updated manually by MIS Network Administrator the third Saturday of every month under the monthly maintenance plan. Once we review the specific finding we will take appropriate action.

2010 Follow up:

Current status: We continue to use Microsoft Windows Software Update Services to deploy automatically Microsoft product critical updates. Updates are done monthly or more frequently if required, i.e., out of cycle updates. We also use another update service to deploy non-Microsoft product updates.

OSAI Response: This is insufficient to close this finding. Some of these issues are not software problems, but user/password combinations, and some settings issues. They may be false positives, but the high risk items need to be addressed. A separate list has been provided to OCCHD.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding 2009–IT 003—Information Systems—Internal Control Information Security (Repeat Finding)

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Delivery and Support DS5.4), IT management should establish, and provide account management procedures addressing system modifications. This would include issuing, suspending, closing, and changing user privileges. These procedures should apply to all users. Rights, as well as obligations relative to access to systems and information should be contractually arranged for all types of users. Management should also perform a regular review of all accounts and related privileges.

Condition: During our testing of the Sage MIP Fund Accounting, we noted there were no formalized procedures in place for transferring user privileges, or adding and deletion of employees.

Effect: The lack of procedures in place for adding and deleting of users can lead to access rights being assigned improperly or not removed promptly. Due to this, a previous employee could still have access to sensitive information on the network. This leaves the agency vulnerable to unauthorized user accounts, and unauthorized privileges as well, of which could be used for malicious intent. Should personnel in charge of the access rights procedure separate from the agency, the procedure becomes an issue as there is no documentation to support or provide guidance.

Recommendation: OSAI recommends senior management formalize account management procedures that address transferring of user privileges, as well as the deletion and addition of new employees.

Views of responsible officials and planned corrective actions: Finance will develop a formalized procedure that documents all additions and deletions of user rights. Terminated employee information will be received from Human Resources and at that time all user rights to the MIP software will be removed. In addition, a formal request will be developed and be required to be submitted by a department head and approved by the CFO before any changes will be made to a new or existing user's rights.

2010 Follow up:

Current status: Finance currently requires authorization from a department head before making any changes in the system. However, due to an oversight, this process has yet to be formalized. We anticipate that we will have it formalized by March 1, 2010.

Finding 2009–IT 004—Information Systems—Log on Trail Monitoring (Repeat Finding)

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Delivery and Support DS5.5), IT management should test and monitor the IT security implementation in a proactive way. A logging and monitoring function will enable the early prevention/detection of unusual and or abnormal activities that may need to be addressed.

**OKLAHOMA CITY-COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Condition: During our testing of Sage MIP Fund Accounting, we noted that audit trails were enabled to track logins and attempts to change users. OCCHD IT staff currently does not monitor these logs on a scheduled or periodic basis.

Effect: Failure to monitor log activity increases the possibility for unusual and abnormal activity (e.g. repeated failed login) to go undetected. This could lead to unauthorized access and or privileges.

Recommendation: OSAI recommends senior management establish and maintain a procedure/schedule that outlines when and how to review log activity. OSAI suggests that this process be documented to provide continuity, establish a baseline for process improvement, and ensure consistency of task.

Views of responsible officials and planned corrective actions: Finance will ensure that as part of the monthly closing procedure(s) that the log activity is reviewed and documented on a monthly basis.

2010 Follow up:

Current status: Finance has begun reviewing the log activity as part of the monthly closing procedures.

OSAI Response: This will be sufficient to close this finding during the next cycle when documentation of the procedures is available.

SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.

None reported.



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